



Legislation Text

File #: 06-0270, **Version:** 1

Recommendation to authorize City Manager to purchase property and boiler and machinery insurance for the Southeast Resource Recovery facility for the period of April 1, 2006 through April 1, 2007, for a premium of \$630,774, payable to Onyx North America Group or its Montenay Pacific Power Corporation subsidiary.

The purchase of property and boiler and machinery insurance is required under the terms of the Southeast Resource Recovery Facility (SERRF) revenue bonds and lease.

The current insurance is provided through the Onyx North America Group, parent company of Montenay Pacific Power Corporation, operator of the SERRF Plant. The coverage they have proposed is combined in a group commercial package policy purchased by Onyx North America Group and underwritten by Liberty International, Commonwealth, Zurich American, Westchester, Essex Insurance Companies, and other equivalently secure insurance companies, and naming SERRF and the City as loss payees.

The requested policy, which covers the period of April 1, 2006 to April 1, 2007, provides SERRF with \$300 million in property coverage, \$50 million in boiler and machinery coverage, \$50 million in flood coverage, \$45 million in business interruption, and \$7.5 million in earthquake coverage. This policy carries a deductible of \$250,000 for property losses, a 30-day business interruption deductible, and a five percent earthquake deductible, for a total annual premium not to exceed \$631,000. The coverage remains the same as last year, with a 7.6% percent increase in premium. This year, the negotiations for coverage took until late March due, in part, to the negative effect of property losses as a result of Hurricanes Katrina and Rita.

Therefore, we are recommending coverage be purchased through Onyx North America Group for the period of April 1, 2006 through April 1, 2007, for a total amount not to exceed \$630,774.

This matter was reviewed by Lisa Malmsten, Deputy City Attorney, on March 27, 2006 and Budget Management Officer David Wodynski, on March 27, 2006.

City Council action to authorize the purchase of this coverage is requested on April 4, 2006 to ensure continued coverage.

The total premium cost will not exceed \$630,774 for the period of April 1, 2006 through April 1, 2007. Sufficient funding has been budgeted in the Insurance Fund (IS 390) in the Department of Human Resources (HR).

Approve recommendation.

KEVIN BOYLAN
DIRECTOR OF HUMAN RESOURCES

APPROVED:

GERALD R. MILLER
CITY MANAGER